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EDITOR'S NOTES

New Emphasis On The Internal Auditor

"The critics who used to refer jokingly to the Foreign Corrupt Practices Act as 'The Internal Auditor Full-Employment Act of 1977' are turning out to be more prophetic than funny," writes Laurel Leff in the January 15, 1980 *Wall Street Journal*.

The Foreign Corrupt Practices Act (FCPA) is the first federal law that makes it a crime not to have a "reasonable" internal control system. Companies with internal control systems are rushing to strengthen them, and those without such a system are rushing to install one. The internal audit department is the heart and the internal auditors the brains in the internal control system.

Budgets and staffs in internal audit departments are being increased. Although the SEC hasn't brought any action under FCPA, uncertainty about enforcement has pushed management to increase internal audit activities and documentation of those activities. The end result has been an increased demand for internal auditors.

Increased attention to internal auditing has given support and visibility to the efforts of the internal auditors to achieve professional status. Business persons and the consumers of accounting information are beginning to understand the importance of certification of internal auditors and professional standards being developed by the internal audit practitioners.

Professional Standards and Certification

The Institute of Internal Auditors (IIA) has made significant strides in developing standards for internal auditors. In addition to the Statement of Responsibilities first issued in 1949 and subsequently updated in 1957 and 1971, the Institute adopted a Code of Ethics in 1968 to which members of the IIA subscribe.

The IAA has also promulgated a "Common Body of Knowledge for Internal Auditors," which identifies the areas of standard knowledge for internal auditors and thus forms a basis for the education of candidates for the Certified Internal Auditor (CIA), the IIA's certification program initiated in 1974. The Common Body of Knowledge was developed after an extensive survey of organizations in 1971.

In order to attain the CIA designation, the internal auditor must pass a four-part written examination based on the Common Body of Knowledge, have a minimum of three years' work experience, subscribe to the Code of Ethics and hold a bachelor's degree from a college-level institution. The examination is held each May at selected sites around the country. It is a two-day examination with each part taking three hours. The certified internal auditor is considered to be proficient in the philosophy and techniques of modern internal auditing and should be able to conduct audits in almost any environment.

Internal auditing is undergoing a dynamic evolution similar to that of public accounting decades earlier. This certification program is a major step toward internal auditing achieving the status of a profession separate and distinct from the profession of certified public accountants.

Common Body of Knowledge

The common body of knowledge for internal auditors as prescribed by the IIA encompasses four principal areas. A summary of the subjects included in each area follows.

1. Principles of internal auditing
2. Internal audit techniques
3. Principles of management
4. Disciplines related to internal auditing

This Issue and Internal Auditing

This issue contains three articles and a book review on internal auditing and controls. The Reckers and Pany article, page 3, reports on a study that sought to determine under what conditions the role of the internal auditor can be expanded. Clark, Gibbs, and Schroeder, page 8, develop a list of criteria for judging the competence, objectivity, and performance of internal audit departments. Brewer, page 12, reports on a successful format for communicating the findings of an internal audit.

The first two articles explore the internal reporting relationships. As the role and responsibilities of internal auditing have changed so have the reporting channels. Current practice finds many internal audit departments reporting directly to the Board of Directors. Before the FCPA the majority reported to the Controller.

Thinking of Consulting a Job Counselor?

An excerpt from a brochure promoting one New York City consulting firm reads "If you're looking for your first position, you need a Career Planning Consultant. If you're looking for your second or third position, you need a Career Planning Consultant, even more." Patricia O'Toole reports in the June, 1980 *Redbook* that many of the ads screaming "Job Offers" are not run by employment agencies but are ads for career-counseling services. Finding a competent counselor may present problems since counseling is not an organized body of knowledge and is not performed by an organized, licensed group of practitioners—anyone may hang out a career counseling shingle.

Ms. O'Toole's article is *must* reading for one who is contemplating the use of a job counseling service. A checklist to aid in evaluating career counseling workshops and seminars is included.

Clara C. Lelièvre